

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 ICAE-00 INRE-00 SOE-02 AID-05 CEA-01
COME-00 EB-08 DOE-15 H-01 INR-10 INT-05 L-03
OMB-01 PM-05 OES-07 SP-02 SS-15 STR-07 TRSE-00
ACDA-12 PA-01 NRC-05 /118 W
-----098481 041003Z /10

O R 040915Z APR 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC IMMEDIATE 3838
INFO AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY SINGAPORE
AMEMBASSY CANBERRA
AMEMBASSY BANGKOK
AMEMBASSY WELLINGTON

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E. O. 11652: NA
TAGS: ECON, ENRG, RP
SUBJECT: ENERGY INITIATIVES FOR THE VICE PRESIDENT'S VISIT TO
THE ASEAN AREA

REF: (A) 77 MANILA A-246, OCTOBER 22, 1977 (B) STATES
082633, (C) 77 JAKARTA 14254

1. SUMMARY. IN ADDITION TO THOSE ACTIVITIES TO BE UNDER-
TAKEN UNDER A PROPOSED \$8.65 MILLION AID LOAN/GRANT, THE
GOP WOULD WELCOME PROPOSAL FOR COOPERATIVE EFFORTS IN
ENERGY FIELD. USG EFFORTS SHOULD COMPLEMENT ALREADY WELL-
DEFINED ENERGY PLAN. ASSISTANCE WOULD BE USEFUL FOR IN-
FORMATION TRANSFER, COAL TECHNOLOGIES, NON-ELECTRIC APPLI-
CATION OF GEOTHERMAL RESOURCE, AND INDUSTRIAL ENERGY CON-
SERVATION, AS WELL AS FURTHER NON-CONVENTIONAL ENERGY AP-
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PLICATIONS. USG PROPOSALS SHOULD TAKE ACCOUNT OF LIMITA-
TIONS OF ABSORBITIVE CAPACITIES OF PHILIPPINE ENERGY
AGENCIES AND INSTITUTIONS. END SUMMARY.

2. IN ADDITION TO THOSE ACTIVITIES TO BE UNDERTAKEN UN-
DER A PROPOSED \$8.65 MILLION AID LOAN/GRANT, GOP WOULD
WELCOME FURTHER COOPERATIVE EFFORTS IN ENERGY FIELD. PRO-

POSALS SHOULD COMPLEMENT ALREADY WELL-DEFINED GOALS AND PROGRAMS DESCRIBED IN PHILIPPINE FIVE YEAR ENERGY DEVELOPMENT PLAN (REFAIR A). WHILE GOP PLAYS CENTRAL ROLE IN ENERGY DEVELOPMENT POLICY, SECRETARY OF ENERGY VELASCO CONTINUES TO STRESS INTENTION TO /SHIFT FINANCIAL BURDEN TO PRIVATE SECTOR". THIS EMPHASIS IS APPARENT IN GOP EFFORTS TO APPLY SERVICE CONTRACT SYSTEM TO EXPLORATION AND DEVELOPMENT OF GEOTHERMAL, COAL, AND URANIUM AS WELL AS PETROLEUM RESOURCES. THIS FACTOR SHOULD BE NOTED SPECIFICALLY WHEN DEFINING OPPORTUNITIES FOR COLLABORATIVE WORK IN GEOTHERMAL ENERGY, WHERE U.S. FIRMS ARE ALREADY ACTIVE. BOARD SECTORAL PLANNING IN ENERGY FIELD IS FAIRLY WELL REFINED, OR AT LEAST GOP ENERGY PLANNERS PERCEIVE IT SO. RESOURCE ASSESSMENT HAS RECENTLY BEEN ENHANCED BY ESTABLISHMENT OF NATURAL RESOURCES MANAGEMENT CENTER AND BUREAU OF ENERGY DEVELOPMENT WITH ENERGY RESOURCE DATA BANK.

3. THE PROPOSED \$8.65 MILLION USAID GRANT/LOAN WILL ENCOMPASS THE FOLLOWING ELEMENTS, MANY OF WHICH WERE CITED IN REFTEL B AS AREAS OF COOPERATION:

(A) NINE PILOT DEMONSTRATION PROJECTS DESIGNED TO TEST THE TECHNICAL/ECONOMIC FEASIBILITY OF APPLYING NON-CONVENTIONAL ENERGY TECHNOLOGIES AS ALTERNATIVES TO IMPORTED FOSSIL FUELS. TECHNOLOGIES TO BE EXPLORED INCLUDE DIRECT AND INDIRECT SOLAR CONVERSION, WIND ENERGY, AND SMALL LIMITED OFFICIAL USE

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SCALE HYDROPOWER. DIRECT SOLAR CONVERSION WILL BE EMPLOYED TO POWER GRAIN DRYING UNITS, REFRIGERATION PLANTS, AND IRRIGATION PUMPS. HYDROPLANTS IN THE RANGE OF 10-500 KW WILL BE INSTALLED TO SUPPLY BOTH ON AND OFF-GRID POWER NEEDS. UNDER WIND TECHNOLOGY, BOTH WIND-DRIVEN WATER PUMPS AND TURBINES FOR THE GENERATION OF ELECTRICITY WILL BE EXPLORED. INDIRECT CONVERSION OF SOLAR ENERGY WILL FOCUS ON CONSTRUCTION OF A 3-5 MW DENDRO-THERMAL PLANT TO BE FUELED FROM AN ENERGY PLANTATION, CONSTRUCTION OF A SMALLER WASTE-FIRED THERMAL PLANT, AND CONSTRUCTION OF A PYROLITIC CONVERTER FOR THE PRODUCTION OF CHAR, PYROLITIC OILS, PRODUCER GAS AND/OR FERTILIZER.

(B) A LONG-TERM PROJECT COORDINATOR (36 MAN-MONTHS) AND SHORT-TERM TECHNICAL CONSULTANTS (56 MAN-MONTHS) TO ASSIST THE BUREAU OF ENERGY DEVELOPMENT WITH DESIGN, IMPLEMENTATION AND EVALUATION ACTIVITIES.

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ACDA-12 PA-01 NRC-05 /118 W

-----098660 041019Z /10

O R 040915Z APR 78

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(C) SHORT AND LONG TERM PARTICIPANT TRAINING TO IMPROVE GOP INSTITUTIONAL CAPABILITY TO CONDUCT INDEPENDENT APPLIED RESEARCH.

(D) COUNTRY-WIDE SEMINARS AND A REGIONAL ENERGY CONFERENCE FOR THE EXCHANGE AND DISSEMINATION OF INFORMATION.

(E) PROCUREMENT OF EQUIPMENT TO ESTABLISH A COMPREHENSIVE NETWORK OF SOLAR RADIATION AND WIND MONITORING STATIONS.

(F) A SURVEY TO DETERMINE RURAL ENERGY USE PATTERNS AND RESOURCES.

4. COOPERATION IN ENERGY PLANNING AND RESOURCE ASSESSMENT IS APPROPRIATE IF FOCUSED ON PRACTICAL APPLICATIONS OF LIMITED OFFICIAL USE

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KNOWN TECHNOLOGIES WHICH PRIMARILY NEED ONLY REFINEMENTS FOR PHILIPPINE APPLICATION. THIS IS FOCUS OF GOP NON-CONVENTIONAL ENERGY PROGRAM CURRENTLY ASSISTED BY USAID. POTENTIAL AREA OF COOPERATION BETWEEN USDOE AND RPDOE WOULD

BE MECHANISM FOR MORE COMPLETE AND DIRECT ACCESS BY LATTER TO PURE AND APPLIED RESEARCH IN NON-CONVENTIONAL ENERGY FIELD IN US AND WORLDWIDE, AND ASSISTANCE IN RELATING THAT INFORMATION TO PRACTICAL APPLICATIONS IN PHILIPPINES. WE SHOULD ENCOURAGE AND INSTITUTIONALIZE A BILATERAL COOPERATIVE ARRANGEMENT IF POSSIBLE.

5. THERE IS KEEN RPDOE INTEREST IN COAL TECHNOLOGY, GASIFICATION OR OTHER TECHNIQUES APPLICABLE IN EXPLOITING PHILIPPINES' MARGINAL COAL DEPOSITS. ENERGY CONSERVATION IN INDUSTRIAL SECTOR IS KEYSTONE OF PHILIPPINE ENERCON EFFORT. COOPERATIVE EXCHANGES FOCUSING ON US PRIVATE SECTOR EXPERIENCE WOULD BE WELCOME. SECRETARY OF ENERGY HAS SUGGESTED JOINT RESEARCH IN SOLAR ENERGY GIVEN PHILIPPINES ABUNDANT SUNSHINE, WITH QUALIFICATION THAT GOP CANNOT DEVOTE MANY OF OWN RESOURCES CONSIDERING SOLAR'S LIMITED SHORT TERM POTENTIAL TO REPLACE ENERGY IMPORTS.

6. THERE ARE REAL CONSTRAINTS ON OPTIONS FOR COOPERATION CITED REF. B. EXCHANGE OF TECHNICAL EXPERTS AND PLANNERS IS POSSIBLE WITH PROVISIO THAT FLOW BE PRIMARILY TO PHILIPPINES WHICH HAS SHORTAGE OF TRAINED MANPOWER IN ENERGY FIELD. SECRETARY OF ENERGY MADE THIS CLEAR IN FEBRUARY 15 DISCUSSION OF POSSIBILITIES OF US/RP ENERGY COOPERATION WITH EMBOFF, USAID OFFICIALS, AND USDOE REPRESENTATIVE. HE NOTED THAT DOE HAS MANY MORE OFFERS FOR TRAINING, SEMINARS, TECHNICAL EXCHANGES, ETC., THAN CAN POSSIBLY BE ACCEPTED. UNLESS TRAINING PROGRAMS OFFERED SPECIFICALLY RELEATE TO ACHIEVEMENT OF SHORT-LIMITED OFFICIAL USE

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TERM GOALS OF FIVE YEAR ENERGY PLAN, VELASCO PROBABLY WILL NOT WANT TO RELEASE HIS "FEW GOOD MEN" TO ATTEND.

7. USDOE AND USAID COULD WORK TOGETHER ON A JOINT WORKSHIP THAT USAID IS PROPOSING WITH ASEAN PARTICIPATION AS PART OF NON-CONVENTIONAL ENERGY PROJECT. FIRST ASCOPE CONFERENCE HELD IN JAKARTA LAST OCTOBER REFLECTED "AN EFFORT TO DEVELOP ASCOPE'S PROFESSIONAL CAPABILITY FOR INCREASED COOPERATION IN TECHNICAL, EDUCATIONAL, TRAINING AND RESEARCH AREAS, AS WELL AS INFORMATION EXCHANGE" (REF C.). ASCOPE COULD BE LOGICAL CHANNEL FOR US JOINT EFFORTS IN REGIONAL ENERGY COOPERATION AND PARTNER IN JOINT WORKSHOPS.

8. THERE IS OPPORTUNITY FOR COLLABORATIVE WORK IN GEOTHERMAL ENERGY. WE NEED BE SOMEWHAT CAUTIOUS, HOWEVER, LEST USG ASSISTANCE PROGRAMS COUNTER, OR LEAD GOP TO BELIEVE SUCH WILL REPLACE, EFFORTS BY US PRIVATE FIRMS IN GEOTHERMAL DEVELOPMENT. PHILIPPINE GOALS IN GEOTHERMAL

POWER DEVELOPMENT ARE FAIRLY AMBITIOUS. THE TECHNOLOGY TO BE APPLIED IS BEING TRANSFERRED AND TESTED BY UNION OIL OF CALIFORNIA IN A JOINT VENTURE WITH NATIONAL POWER CORPORATION. COOPERATIVE EXCHANGES ON WHAT IS BEING LEARNED HERE IN RESERVOIR ENGINEERING AND REINJECTION WOULD BE POSSIBLE. UNION OIL AND OTHER US FIRMS ARE DISCUSSING MODALITIES FOR FURTHER RISK VENTURES AND TECHNICAL

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O R 040915Z APR 78
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SERVICE CONTRACTS WITH VARIOUS ORGANS OF GOP TO ASSIST IN GEOTHERMAL POWER DEVELOPMENT. CONSTRAINTS ON FULL ACHIEVEMENT OF THE FIVE YEAR ENERGY PLAN FOR GEOTHERMAL POWER DEVELOPMENT INCLUDE: (A) PROVING STEAM RESOURCE BASE (WITH TECHNOLOGY AVAILABLE AND BEING APPLIED), (B) CAPITAL RESOURCES FOR FIELD DEVELOPMENT AND POWER PLANT CONSTRUCTION, AND (C) CREATION OF A POWER DEMAND IN AREA WHERE GEOTHERMAL RESOURCES FOUND.

9. NEW ZEALAND GOVERNMENT HAS FINANCED GEOTHERMAL EXPLORATION OF TWO KNOWN RESERVES IN VISAYAS. THE ITALIAN GOVERNMENT RECENTLY SIGNED TECHNICAL ASSISTANCE AGREEMENT WITH GOP WHEREIN ELC-ELECTROCONSULT WILL UNDERTAKE DETAILED SURVEY OF PHILIPPINES TO PINPOINT PRIORITY SITES FOR

INTENSIVE GEOLOGICAL, GEOCHEMICAL, AND GEOPHYSICAL INVESTIGATION. THE AREAS IDENTIFIED PRESUMABLY WILL BECOME LIMITED OFFICIAL USE

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SUBJECT TO SERVICE CONTRACTS FOR DEVELOPMENT BY PRIVATE SECTOR.

10. THEREFORE, SHORT OF LARGE INFUSIONS OF CAPITAL FOR FINANCING AN ALREADY WELL-DEFINED GEOTHERMAL POWER DEVELOPMENT PROGRAM WHICH IS NOT INTENT OF USG ASSISTANCE C TED REF. B., WE BELIEVE USG COLLABORATIVE EFFORTS COULD BEST FOCUS ON ECONOMICS AND APPLICATIONS OF NON-ELECTRIC UTILIZATION OF GEOTHERMAL ENERGY. THIS OPTION IS BEING STUDIED BY GOP AGENCIES AS AN ALTERNATIVE USE OF GEOTHERMAL RESOURCE IN AREAS WHERE SHORT-TERM POWER DEMAND DOES NOT WARRANT LARGE (55 MW) POWER PLANT INSTALLATIONS.

11. EMBASSY HAS LONG FELT NEED FOR GREATER INFORMATION TRANSFER TO PHILIPPINES OF DATA AND TECHNOLOGIES DEVELOPED IN VARIOUS USG ENERGY RELATED AGENCIES AND PRIVATE SECTOR, ESPECIALLY IN NON-CONVENTIONAL FIELD AND INDUSTRIAL ENERGY CONSERVATION. NOW THAT USG HAS CENTRALIZED LIAISON IN USDOE, AND PHILIPPINES CONCURRENTLY HAS ORGANIZED RPDOE, SUCH INTERCHANGE BECOMES MORE FEASIBLE. USAID ALREADY HAS STARTED BRINGING US EXPERTISE TO BEAR ON SPECIFIC PROJECTS UNDERTAKEN BY RP DOE NONCONVENTIONAL ENERGY RESOURCES DEVELOPMENT DIVISION. EMBASSY SUGGESTS US PROPOSE JOINT USAID/USDOE EFFORT TO IDENTIFY AND TRANSFER TO PHILIPPINES ENERGY INFORMATION RESIDING IN USG RELEVANT TO PHILIPPINE CONDITIONS. AID ROLE IS CENTRAL BECAUSE LOCAL MISSION ALREADY FAMILIAR WITH ABSORPTIVE CAPACITY OF COUNTERPART AGENCIES AND IS WORKING CLOSELY WITH THEIR PROGRAMS. BACKWARD LINKAGE, THE "COOPERATIVE EXCHANGE", WILL FOLLOW IN DUE COURSE. THE U.S. EFFORT COULD BEGIN WITH COAL TECHNOLOGY, NON-ELECTRIC USES OF GEOTHERMAL, INDUSTRIAL ENERGY CONSERVATION, AND OTHER POSSIBLE PRIORITIES PRO-

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POSED BY GOP.

12. DEPENDING ON THE TIMING OF THE US LOAN/GRANT AUTHORIZATION, IT MAY BE POSSIBLE FOR THE VICE PRESIDENT TO SIGN THE AGREEMENT ON HIS FORTHCOMING VISIT. REQUEST WASHINGTON CHECK AND ADVISE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VICE PRESIDENT, ENERGY, VISITS, NEGOTIATIONS, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 04 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MANILA05272
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780144-1124
Format: TEL
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780495/aaaaddcg.tel
Line Count: 332
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5eb009b7-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 MANILA A-246
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3083284
Secure: OPEN
Status: NATIVE
Subject: ENERGY INITIATIVES FOR THE VICE PRESIDENT'S VISIT TO THE ASEAN AREA
TAGS: ECON, ENRG, RP, (MONDALE, WALTER F)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/5eb009b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014